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RC INVESTOR

Volume 1
Number 2

THE ICMA RETIREMENT CORPORATION INVESTOR EDUCATION SERIES

Expanding your horizons:

The New Mutual Fund Series

Now that the ICMA Retirement Trust's investment portfolio includes well-known mutual funds, you should become familiar with these funds and how they complement the Trust's own Family of Funds.

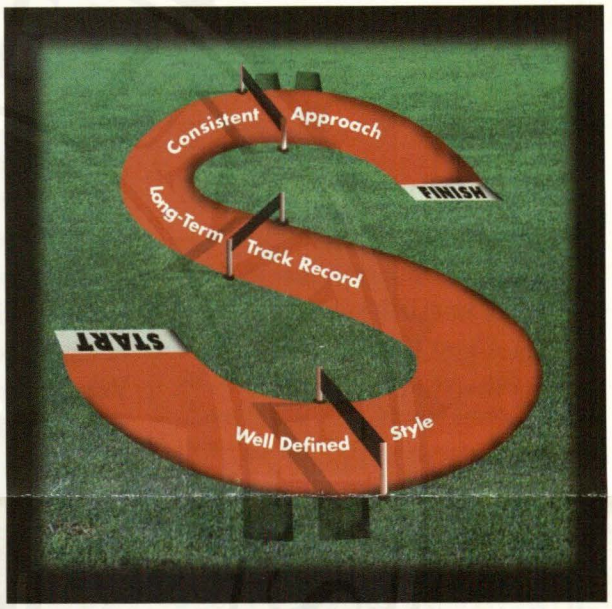
Quality Investment Service: RC's Continued Commitment

At RC, we have always carefully chosen the investment vehicles we offer to our participants—we try to maximize your choices and minimize your headaches.

Since the best investor is a well-informed investor, we want to continue to make sure you have the right kind of information for making investment decisions.

In offering our Mutual Fund Series, we have used the same kind of rigorous review process that we apply to our RC-managed funds and portfolio managers: We narrow down the list of thousands of available investment vehicles to select the few that satisfy our criteria. That way, you know you're choosing from among the best.

The fund that's hot in this month's investment magazine is not necessarily going to be on our list. Often that hot fund is cold by the following year. Instead, our evaluation focuses on consistent investment approach and long-term track records. (Of course, there are no guarantees that past performance will yield future results.)



The RC Mutual Fund Series offering includes only those fund candidates that cleared all the hurdles.

Our educational materials support all the investment products we offer so you get up to speed and stay there: everything from easy-to-follow retirement planning workbooks to aids that help you design your portfolio. *Charting Your Course, Investing for the Harvest Years,* and *Portfolios for Your Future* will help you put your assets to work in a way that fits your unique situation.

How We Help You With The Homework

To select the best fund candidates, we put a large number of funds to the test. Our new Mutual Fund Series offering consists only of those funds that cleared the following hurdles:

- First, we identified funds that would complement the RC-managed fund offerings.
- Then we screened the list for performance, portfolio characteristics, and consistency of investment approach.
- RC required that all funds must be made available on a no-load basis.
- Next, we further narrowed the list by applying Morningstar ratings. (Morningstar is a fund research firm with a "star" rating system for evaluating risk/return characteristics of mutual funds.)
- Finally, and perhaps most importantly, we conducted in-person interviews with the

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portfolio managers of candidate funds in each category. After the funds were selected and approved, we negotiated fee arrangements and passed any discounts on to you. (See the *Investment Guide* for further details on fees.)

Multiple vs. Single Managers

To promote diversification, RC has always advocated the "multiple manager" approach for our in-house funds. Most RC-managed funds consist of separately managed portfolios and use a variety of investment styles and approaches. For example, investing in the Growth Stock Fund is like getting five funds in one: Each of the five managers uses his or her own distinct investment style.

A multiple-manager fund is designed to reduce short-term performance swings, creating more stable returns over market cycles. When one type of investment style is out of favor, the other styles may be performing better. That's what makes these funds appropriate to use as the "core" of a diversified portfolio.

Our new Mutual Fund Series works differently. Each fund consists of one portfolio and is managed by one person or portfolio management team. So it's important that an investor understand the specific investment style before investing. Each of the Mutual Fund Series has its own distinct approach and may even reflect the unique personality of its manager, such as the Gabelli Value Fund. Therefore, each of the Series funds will have different investment restrictions, objectives, and equity holdings. As a result, these funds can give participants added flexibility in designing a portfolio that truly reflects their investment preferences.

Using Both Kinds of Funds Effectively

Remember when selecting the funds for your portfolio that it is important to diversify, especially with one-style funds such as the Mutual Fund Series. To help you get on the right track, here's a summary of how to use both the RC-managed funds and the new Mutual Fund Series:

RC-Managed Funds:

- Provide added diversification of investment style through use of multiple managers, where appropriate.

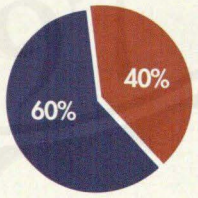
Model Portfolio Examples

The following examples show how RC's Model Portfolios can be adapted to the Mutual Fund Series. Each variation of the Traditional Growth Portfolio shown below has different risk and return features depending on the investment styles of the funds selected. See the *Family of Funds* brochure and growth vs. value articles for more information on investment styles and how they may be used in a portfolio.

THE TRADITIONAL GROWTH PORTFOLIO:

This shows the basic asset class split in a Traditional Growth Portfolio. The rest of the examples follow this basic stock/bond allocation.

ALLOCATION

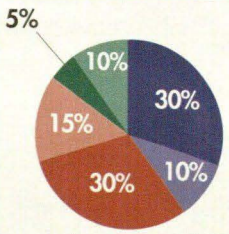


60% Stocks
40% Bonds

AN RC-MANAGED FUND PORTFOLIO:

The actual Traditional Growth Portfolio consists entirely of RC-managed funds. This portfolio appears in *Portfolios for Your Future* and serves as our basis of comparison.

FUNDS



30% PLUS Fund
10% Core Bond Fund
30% Equity Income Fund
15% Growth Stock Fund
5% Aggressive Opportunities Fund
10% International Fund

- Can be used as "core" or long-term holdings that, through their style diversification, tend to provide more stable returns over market cycles.

- Can be combined into cohesive Model Portfolios that match specific investment objectives and investor risk tolerance.

- Can be tracked daily on the Internet via the RC home page on the World Wide Web.

- Dollar-for-dollar, provide hard-to-beat value, based on their low fee structure. (As with any major purchase, you should always investigate the fees you'll be paying. Be sure to compare! See the *Investment Guide* for details.)

Mutual Fund Series:

- Offers a way to enhance an existing portfolio of RC-managed funds by adding a complementary mix of stocks and/or styles.

- Offers a way to add single-style concentration to a portfolio.

- Can be used to construct entirely new portfolios, with different risk/return characteristics from existing Model Portfolios.

- Offers a way to track price trends and movements of the underlying mutual funds in your newspaper as well as on the Internet via RC's home page on the World Wide Web. (See the *Investment Guide* for detailed information on how prices will differ.)

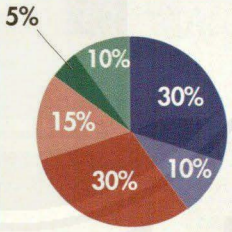
We believe the introduction of our new Mutual Fund Series represents yet another milestone in RC's history of service to public sector employees.

For more specific information on risk/return characteristics, investment style, and fee structure of all Trust funds, please refer to the fund comparisons in the Family of Funds *brochure and the Trust's* Investment Guides. *Prospectuses are available for all the underlying funds in the Mutual Fund Series by calling ICMA-RC Services at 1-800-669-7400. You should consult the appropriate mutual fund prospectus before you invest. Prospectuses may also be obtained by writing to RC Services at ICMA-RC Services, Inc., Mutual Fund Series, 777 North Capitol Street, NE, Suite 600, Washington, DC 20002.*

A MUTUAL FUND SERIES PORTFOLIO:

A suggested Traditional Growth Portfolio whose equity portion is composed entirely of funds in the Mutual Series. (There are no fixed-income funds in the Mutual Fund Series). It has higher concentrations of both large-cap and value-oriented stocks. All Mutual Series funds can invest internationally.

FUNDS

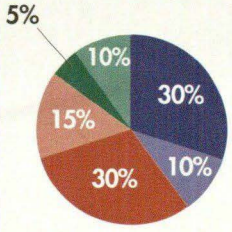


- 30% PLUS Fund
- 10% Core Bond Fund
- 30% MFS Growth & Income
  Fidelity Growth & Income
- 15% MFS Growth
  Fidelity Blue Chip Growth
- 5% MFS Aggressive Growth
  Putnam Voyager
- 10% MFS Value
  Gabelli Value

A HYBRID PORTFOLIO:

A suggested Traditional Growth Portfolio consisting of some RC-managed and some Mutual Series funds. This portfolio shows the use of RC-managed funds as "core" or long-term holdings and the Mutual Series as more discretionary in nature. It has a higher concentration of large-cap, income-oriented stocks.

FUNDS



- 30% PLUS Fund
- 10% Core Bond Fund
- 30% Equity Income Fund
- 15% Growth Stock Fund
- 5% MFS Aggressive Growth
  Putnam Voyager
- 10% MFS Income
  Lindner Dividend

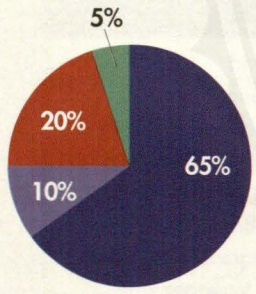
RC Investment Options

TRUST FAMILY OF FUNDS	CODE
Aggressive Opportunities Fund	35
International Fund	45
Growth Stock Fund	20
Broad Market Index Fund	50
Equity Income Fund	25
Asset Allocation Fund	40
Social Responsibility Fund	55
Core Bond Fund	30
U.S. Treasury Securities Fund	75
Cash Management Fund	60
457 PLUS Fund	71
401 PLUS Fund	70

MUTUAL FUND SERIES	CODE
Series/Aggressive Growth Fund	
invests in Putnam Voyager Fund (Class A shares)	21
Series/Growth Fund	
invests in Fidelity Blue Chip Growth Fund	22
Series/Growth and Income Fund	
invests in Fidelity Growth & Income Portfolio	23
Series/Value Fund	
invests in Gabelli Value Fund	27
Series/Flexible Fund	
invests in Fidelity Puritan® Fund	24
Series/Income Fund	
invests in Lindner Dividend Fund	26

RC Model Portfolios

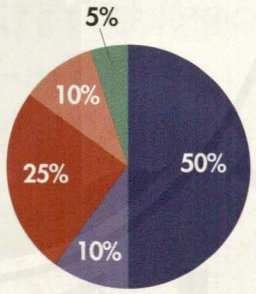
SAVINGS ORIENTED (SO)



FUNDS

- 65% PLUS Fund
- 10% U.S. Treasury Securities Fund
- 20% Equity Income Fund
- 5% International Fund

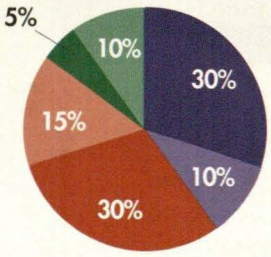
CONSERVATIVE GROWTH (CG)



FUNDS

- 50% PLUS Fund
- 10% Core Bond Fund
- 25% Equity Income Fund
- 10% Growth Stock Fund
- 5% International Fund

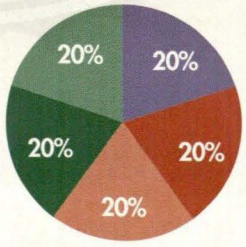
TRADITIONAL GROWTH (TG)



FUNDS

- 30% PLUS Fund
- 10% Core Bond Fund
- 30% Equity Income Fund
- 15% Growth Stock Fund
- 5% Aggressive Opportunities Fund
- 10% International Fund

LONG-TERM GROWTH (LT)



FUNDS

- 20% Core Bond Fund
- 20% Broad Market Index Fund
- 20% Growth Stock Fund
- 20% Aggressive Opportunities Fund
- 20% International Fund

This page displays each of the funds and RC Model Portfolios available to RC participants. Before choosing your investment options and for specific fund descriptions and program details, please read the ICMA Retirement Trust's *Retirement Investment Guides*. For a discussion of RC's Model Portfolios, see *Portfolios for Your Future*.

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